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ORIGINAL

OPEN MEETING AGENDA ITEM

The Solar Alliance appreciates the Arizona Corporation Commission's Staff's ongoing efforts to work extensively with stakeholders toward the approval of a far-reaching, Renewable Energy Standard and Tariff (RES) Implementation Plan for Arizona Public Service Corporation (APS). We also appreciate APS' extensive and pro-active support toward this process and renewable energy in general. They are rapidly becoming a national leader in this regard.

The Solar Advocates maintain that the Joint Proposal developed by APS and the Solar Advocates continues to be the optimal method for APS to meet its REST goals. The Joint Proposal was carefully crafted by those parties that will be tasked with the actual implementation of the REST, and because of this, represents the most effective means of achieving REST compliance. However, if the Commission selects one of Staff's options instead, we feel that Option A is the superior choice as it more closely mirrors the Joint Proposal.

Option B

Option B is innovative and staff should be commended on their efforts to build a degree of flexibility into the program. The Solar Advocates are supportive of certain elements—particularly the flexibility on the minimum requirements for residential and non-residential customer-sited projects. However, the Solar Advocates strongly objects to one element: the proposed increase in Wholesale Distributed Generation from 10% to 50% which has the potential to substitute a single large power plant for truly distributed generation.

Option B would use funds originally reserved and intended for customer-sited, customer controlled projects, and directs those funds to wholesale power. A key difference is that the customer-controlled, customer-sited projects will not be built unless funding is provided, while the wholesale power projects can—and will—just as easily be funded through the non-DE portion of the RES and/or base rates. The result: a net decrease in realized renewable energy projects in the state.

Option B would reduce the RES goal for customer-controlled, customer-sited renewables by 40%, and APS's proposed incentive budget by \$10 million dollars, or about a third. The net impact is a radical departure from the program contemplated during the RES proceedings.

The RES rules very clearly state that "An Affected Utility may satisfy no more than 10 percent of its annual Distributed Renewable Energy Requirement from Renewable Energy Credits derived from Distributed Energy Resources that are non-utility owned generators that sell electricity at wholesale to Affected Utilities" (R14-2-1805.E). Allowing wholesale generators to meet 50% of the Distributed Energy requirement is a radical departure from the letter and the spirit of the RES rule. If the change proposed by Option B were raised during RES rulemaking, it would have been robustly opposed by the Solar Advocates.

While the Solar Advocates object to the increase in Wholesale Distributed Generation, if the Commission were to nonetheless approve the change described in Option B, the Solar Advocates request that such change be approved for two years instead of the six years described in Staff's proposal.

Green Power

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The Solar Advocates agree with other commenters that the premise of APS's Green Power program is to provide for investment in renewable energy above and beyond legal requirements, and as such it is improper to use ratepayer funds derived from that program to achieve compliance with the RES.

Summary

In sum, the Solar Advocates appreciate the good-faith effort by all parties to find a workable solution. We particularly appreciate Staff's creativity in suggesting flexibility in the residential/non-residential requirements, and APS's support of the RES. We believe that the Joint Proposal remains the best avenue to achieve the RES's goals.